

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 CIAE-00 COME-00 DODE-00
DOTE-00 FMC-02 INR-10 NSAE-00 CG-00 DLOS-09
OES-09 XMB-04 PA-02 ICA-20 TRSE-00 OMB-01 AID-05
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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8396

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 5797

E.O. 11652: N/A

TAGS: EWWT, BR

SUBJECT: SEA-LAND AND EXIMBANK FREIGHT FINANCING - O GLOBO
ARTICLE, JULY 25

REF: BRASILIA 5720

1. FOLLOWING IS AN INFORMAL TRANSLATION OF AN ARTICLE ENTITLED
"LLOYD WANTS REPRISALS AGAINST THE UNITED STATES" WHICH
WAS PUBLISHED IN O GLOBO ON JULY 25.

BEGIN TEXT: LLOYD BRASILEIRO REQUESTED THAT THE
NATIONAL MERCHANT MARINE SUPERINTENDENCY (SUNAMAM) ELIMINATE
FISCAL INCENTIVES (CREDITS ON IPI AND ICM) ON THE TRANS-
PORTATION CHARGES OF BRAZILIAN PRODUCTS SHIPPED IN US-FLAG
VESSLES. THE INFORMATION WAS GIVEN YESTERDAY BY THE
PRESIDENT OF LLOYD, JONAS CORREA DA COSTA SOBRINHO. HE
ADDED THAT THE OTHER BRAZILIAN SHIPOWNERS IN THIS LINE--
NETUMAR, NACIONAL AND FROTA AMAZONICA--SUPPORT THE ADOPTION
OF A REPRISAL TO THE CUTTING OF FINANCING ON FREIGHT
CHARGES WHICH THE EXIMBANK WILL IMPOSE ON BRAZILIAN
FIRMS STARTING THE 31ST OF THIS MONTH.

JONAS CORREA DA COSTA SOBRINHO SAID THAT WHILE
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EXIMBANK'S DECISION WOULD NOT HURT BRAZIL ECONOMICALLY--
AS STATED BY FINANCE MINISTER MARIO HENRIQUE SIMONSEN--
FROM THE POLITICAL ANGLE THE DECISION IS "CONTRARY TO
US", A REASON WHY THE SHIPOWNERS REQUESTED THAT SUNAMAM
TAKE URGENT ACTION TO CUT THE INCENTIVES.

ACCORDING TO THE MARITIME SOURCES, THE FREIGHT CHARGES
TO BE FINANCED BY EXIMBANK UNTIL THE END OF THE YEAR

FOR BRAZILIAN IMPORTES WOULD BE AROUND US\$50 MILLION (CR\$1 BILLION, APPROXIMATELY).

THE AGREEMENTS IN EFFECT IN THE MARITIME SECTOR BETWEEN BRAZIL AND THE UNITED STATES STIPULATE EQUAL ACCESS. FOR THIS REASON, SPECIFIC BENEFITS FOR ONE COUNTRY WERE GIVEN TO THE OTHER COUNTRY, AS IS THE CASE WITH EXIMBANK CREDIT FOR FREIGHT CHARGES (TO BE CUT ON THE 31ST) AND THE FISCAL INCENTIVE ON FREIGHT CHARGES (WHICH MAY BE ELIMINATED FOR US SHIPS).

IN CASE SUNAMAM CUTS THE INCENTIVES, THE BRAZILIAN EXPORTER, TO SELL CARGO TO THE UNITED STATES, WILL ONLY HAVE A FULL RIGHT TO CREDIT (VALUE OF THE PRODUCT PLUS TRANSPORTATION CHARGES) IF SHIPMENT IS BY BRAZILIAN VESSEL. IF SHIPMENT IS BY US VESSEL, THE EXPORTER WILL ONLY BE ENTITLED TO THE FISCAL CREDIT REFERRING TO THE FOB VALUE OF THE MERCHANDISE. IF THE SUGGESTION OF LLOYD BRASILEIRO IS ACCEPTED, FEW EXPORTERS WILL PREFER TO SHIP ON US-FLAG VESSELS.

THE SUPERINTENDENT OF SUNAMAM, MANOEL ABUD, DID NOT SAY WHETHER HE WILL TAKE THE COUNTERMEASURE SUGGESTED BY THE NATIONAL SHIPOWNERS. END TEXT.

2. FYI. IN FIRST SENTENCE OF TEXT, IPI REFERS TO THE INDUSTRIAL PROPERTY TAX AND ICM TO THE TAX ON THE CIRCULATION OF MERCHANDISE. THESE ARE TURNOVER TAXES CUSTOMARILY REBATED TO THE BRAZILIAN EXPORTER.
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